

**REPORT OF THE NORTH CAROLINA CABLE TELECOMMUNICATIONS  
ASSOCIATION CONCERNING THE BIENNIAL REVIEW  
OF THE VIDEO SERVICES COMPETITION ACT**

April 28, 2010

The North Carolina Cable Telecommunications Association is pleased to present this report in connection with the biennial review of the Video Services Competition Act.

NCCTA is a trade association representing the cable telecommunications industry. Its members provide video, broadband, telephone, and related services to over 1.7 million subscribers in North Carolina.

**I. Status of Video Competition**

Competition in the video programming market remains vigorous. This consists of several components.

First, about 30% of North Carolina households with TV sets subscribe to satellite-provided multi-channel TV services. As satellite TV service is available throughout the state, satellite is a state-wide competitor of video programming services.

Second, incumbent telephone companies and telephone cooperatives offer “triple play” services consisting of a telephone, broadband and video bundle. The video component of this bundle typically consists of the telephone companies’ resale of satellite-delivered service or the companies’ provision of its own services. This last category—telephone company provision of its own video services—has been encouraged and facilitated by the Video Services Competition Act, which greatly reduced the burdens associated with negotiating and securing local franchise agreements from North Carolina local governments. According to statistics available to NCCTA, the telephone companies presently serve more than 60,000 customers in North Carolina with video services via their own facilities. (According to AT&T’s 2010 Q1 financial report, it added 231,000 U-verse TV customers nationwide in the first quarter, bringing its total U-verse customer base to 2.3 million.) Without question, telephone companies and

cooperatives have deployed competitive video services in North Carolina over the past year and are continuing to do.

Finally, the past several years have seen competition by several city-owned providers of video services, including the City of Wilson, MI Connection (owned by Mooresville and Davidson), Morganton, and the City of Salisbury (to be operational this summer). These cities offer video services in direct competition with cable companies and benefit from a variety of competitive advantages—such as tax exemptions, access to tax exempt financing, and the ability to regulate their competitors. By allowing these cities to take advantage of tax exemptions, the state is effectively subsidizing competition by the cities against private providers of communications and information services.

## **II. Status of Broadband Deployment**

The deployment of broadband in North Carolina by private industry has been remarkable. Just 10 years ago, there was virtually no broadband in this state. Today, approximately 92% of all North Carolina households have access to broadband services as a result of the enormous investment made by private industry. Given this widespread deployment, there are two primary issues faced by the state in the area of broadband—(1) increasing the take rate among citizens that have access to broadband but are unable or unwilling to purchase the service, and (2) extending broadband to those few households that remain unserved.

There are a variety of public-private initiatives under consideration to address these issues. For example, the e-NC Authority has awarded grants to private providers to extend broadband into unserved areas. Also, the federal government is currently awarding grants to extend broadband service to both increase broadband demand and availability. Finally, the staff of the Federal Communications Commission (FCC) has recently released a Broadband Plan which provides a comprehensive federal plan to promote broadband deployment and access.

## **III. Recommendations**

The cable industry was not a sponsor or proponent of the original legislation that moved cable franchising to the state level. Despite this, NCCTA believes that, in general, the VSCA has worked well. The legislation has streamlined the franchising process and has made it easier for

new entrants to secure the necessary authorization so as to provide video service. In this regard, without question, the VSCA has served to promote competition with respect to video services.

For this reason, NCCTA does not believe that any changes to the VSCA are necessary at this time.

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